



BANK OF COMMERCE – TRUST SERVICES GROUP

**BANK OF COMMERCE DIVERSITY PESO BOND FUND**

**KEY INFORMATION AND INVESTMENT DISCLOSURE STATEMENT**

For the Quarter ended **September 30, 2023**

| FUND FACTS                                   |                          |                                  |                       |
|--|--------------------------|----------------------------------|-----------------------|
| Classification                               | Long Term Peso Bond Fund | Net Asset Value per unit (NAVpu) | 1.660247              |
| Launch Date                                  | March 10, 2005           | Total Fund NAV                   | PHP 3,949,207.75      |
| Minimum Investment/Maintaining Participation | PhP 10,000.00            | Dealing Day                      | 11:30 AM              |
| Minimum Additional                           | PhP 1,000.00             | Redemption Settlement            | T + 1                 |
| Minimum Holding period                       | 30 days                  | Early Redemption Fee             | 5% on redeemed amount |

| FEES*   |  |   |                   |
|---|--|---|-------------------|
| *TRUSTEE FEE: 1.00% per annum                     | CUSTODIAN FEE: 0.19% of the GROSS Fee for the Quarter                  | *EXTERNAL AUDITOR FEE: 0.0066% of Total External Audit Fee of TSG | OTHER FEES: 0.00% |
| *based on the Net Asset Value (NAV) accrued daily | *Portion/Percentage of Php15,000 for the quarter<br>Bureau of Treasury | KPMG Audit<br>*based 2022 External Audit Fee                      | N/A               |

**INVESTMENT OBJECTIVE & STRATEGY**

The Fund intends to achieve for its participants total returns consisting of current income and capital growth. The Fund aims to achieve a rate of return higher than the 5-year yield based on the PHP BVAL Rate.

The Fund may avail itself of financial derivatives instruments solely for the purpose of hedging risk exposures of the existing investments of the Fund, provided, these are accounted for in accordance with existing BSP hedging guidelines as well as the Trustee's risk management and hedging policies duly approved by the Trust and Investments Committee and disclosed to participants.

**CLIENT SUITABILITY**

The Bank of Commerce Diversity Peso Bond Fund is suitable only for investors who:

- Have a **MODERATE** risk profile
- With an investment horizon of more than five (5) years
- Who are Philippine Residents Only

**KEY RISKS AND RISK MANAGEMENT**

You should not invest in this Fund if you do not understand or are not comfortable with the accompanying risks.

**Credit Risk/Default Risk.** The possibility for an investor to experience losses due to a borrower's failure to pay principal and/or interest payments/amortizations in a timely manner on instruments such as bonds, loans, or other forms of security which the borrower issued.

**Interest Rate Risk.** The possibility that an investor may experience losses due to changes in interest rates.

**Market / Price Risk.** The possibility that an investor may experience losses due to changes in market prices of securities (e.g., bonds and equities).

**Liquidity Risk:** The possibility that an investor may experience losses due to the inability to sell or convert assets into cash immediately or in instances where conversion to cash is possible but at a loss.

**Reinvestment Risks.** The possibility that an investor may experience losses due to probable lower returns or earnings when maturing funds or the interest earnings of the Fund are reinvested.

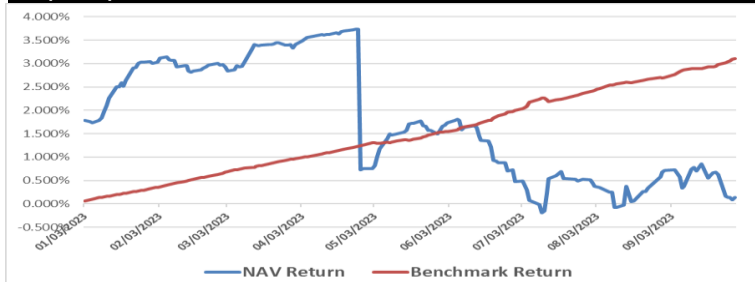
**Country Risk.** The possibility that an investor may experience losses arising from investments in securities issued by/in foreign countries due to the political, economic and social structures of such countries.

- THE UIT FUND IS NOT A DEPOSIT AND NOT INSURED BY PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC).
- RETURNS CANNOT BE GUARANTEED AND HISTORICAL NAVPU IS FOR ILLUSTRATION OF NAVPU MOVEMENT/FLUCTUATIONS ONLY.
- WHEN REDEEMING, THE PROCEEDS MAY BE WORTH LESS THAN THE ORIGINAL INVESTMENT AND ANY LOSSES WILL BE SOLELY FOR THE ACCOUNT OF THE CLIENT.
- THE TRUSTEE IS NOT LIABLE FOR ANY LOSS UNLESS UPON WILLFUL DEFAULT, BAD FAITH OR GROSS NEGLIGENCE.

For queries, contact us via email at [trustmarketing@bankcom.com.ph](mailto:trustmarketing@bankcom.com.ph)  
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**FUND PERFORMANCE AND STATISTICS AS OF 09/30/23**  
(Purely for reference purposes and is not a guarantee of future results)

**NAVpu Graph**

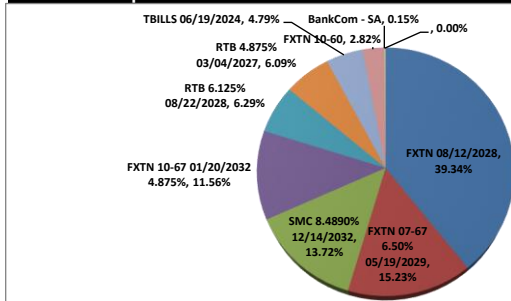


**Cumulative Performance (%)**

| Period    | 1mo      | 3mos     | 6mos     | 1yr      | 3yrs     |
|-----------|----------|----------|----------|----------|----------|
| Fund      | -0.5817% | -0.3441% | -3.1679% | -2.4021% | -2.5339% |
| Benchmark | 3.9754%  | 3.9419%  | 3.7744%  | 4.0323%  | 1.1864%  |

\*Benchmark is the 5-year yield based on PHP BVAL Rate.

**Portfolio Composition**



**NAVpu over the past 12 months**

|         |          |
|---------|----------|
| Highest | 1.719766 |
| Lowest  | 1.654621 |

**Statistics**

|                      |        |
|----------------------|--------|
| Wtd. Ave. Duration   | 4.53   |
| Volatility*          | 0.28%  |
| Sharpe Ratio**       | 0.11   |
| Information Ratio*** | (1.45) |

\*Volatility measures the degree to which the Fund fluctuates vis-a-vis its average return over a period of time.

\*\*Sharpe ratio is used to characterize how well the return of the Fund compensates the investor for the level of risk taken.

\*\*\*Information ratio measures reward-to-risk efficiency of the portfolio relative to the benchmark. The higher the number, the higher the reward per unit of risk.

**Top Ten Holdings (%)**

| Holdings                     | Weight |
|------------------------------|--------|
| FXTN 08/12/2028              | 39.34% |
| FXTN 07-67 6.50% 05/19/2029  | 15.23% |
| SMC 8.4890% 12/14/2032       | 13.72% |
| FXTN 10-67 01/20/2032 4.875% | 11.56% |
| RTB 6.125% 08/22/2028        | 6.29%  |
| RTB 4.875% 03/04/2027        | 6.09%  |
| TBILLS 06/19/2024            | 4.79%  |
| FXTN 10-60                   | 2.82%  |
| BankCom - SA                 | 0.15%  |

**TOTAL 100.00%**

Note: Percentage (%) of holdings is based on market values.

**OTHER DISCLOSURES**

**RELATED PARTY TRANSACTIONS**

The fund has deposit with Bank proper amounting to Php6,065.41 or 0.15% of the fund, Bank of Commerce is an approved counterparty by the Trust and Investment Committee and the Board of Directors. All related party transactions are conducted on an arm's length basis.

**OUTLOOK AND STRATEGY**

To recap, the Philippine economy grew 4.3% YoY in the second quarter of 2023, much slower than the market expectation, which was for a 6% gain. The first half of 2023 GDP grew by 5.3%, anchored on historic high employment levels, acceleration of tourism, and increasing investment registration activities. The government implements catch-up plans and expedites programs and projects for the rest of the year to achieve the growth target of 6.0% to 7.0% for 2023. Meanwhile, the Philippines' headline inflation quickened further to 6.1% in Sept '23 from 5.3% in Aug '23, pushing 9M23 average to 6.6%. This latest price is above Bloomberg's consensus of 5.3% and at the high end of the BSP's estimated range of 5.3-6.1%. Core inflation decelerated further to 5.9% from 6.1% in the previous month, bringing 9M23 average to 7.2%. Meanwhile, BSP extends pause on rate hikes. The Bangko Sentral ng Pilipinas (BSP) decided to keep the policy rate unchanged at 6.25% in its last meeting in line with consensus expectations. However, BSP is open to unscheduled rate hikes. BSP Governor Eli Remolona said he's open to an unscheduled interest rate hike before the November meeting due to upside risks on inflation and the Fed's hawkish outlook and potential PHP impact. This decision would also be anchored on the Fed's actions in their November 2 policy review.

**Forecast/Outlook:** BSP considers a 25-bp hike in its key policy rate in the Nov meeting, given the recent acceleration in inflation for the second consecutive month in Sep. BSP Gov. Eli M. Remolona, Jr. suggests that higher borrowing costs haven't impacted PH economic growth, indicating a potential for further monetary tightening.

**Fund Strategy and Considerations**

With the outlook of continuously elevated interest rates, the fund considers positioning in short-tenor securities to have room for rebalancing once the policy rate reaches its stable level and yields start to normalize both for the global and local scene. The strategy considered positioning in IPO offering competitive rates for its maturing investments and available liquidity. With the expectation of easing longer-dated yields, the fund may consider adding duration and taking advantage of locking high interest rates. Any additional contributions to the fund will provide liquidity for deployments meant to rebalance the returns. The Fund is experiencing an impact coming from the upward movement of yields both for local and global bond markets which are in line with the US FED tapering plans and fighting inflation.